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1976 CHIFLEY MEMORIAL LECTURE, DELIVERED BY THE PREMIER OF SOUTH AUSTRALIA, HON. D.A. DUNSTAN AT MELBOURNE UNIVERSITY, JULY 15, 1976.

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SOCIAL DEMOCRACY IN THE 70's : THE STRUGGLE AGAINST THE MYTHS.

Australian politics have always contained a fairly large tribal element; there is on both sides of the political spectrum a reliance on myths rather than reality and this often produces debate which is colourful, emotional and sometimes amusing but, unfortunately, completely irrelevant to the Australian situation.

The most prolific mythmakers, of course, are the anti-Labor parties. Every three years, the old men of the Liberal and Country Parties call their followers together and invoke the mythology of capitalism, with a goodly collection of socialist devils added to keep the myths seemingly relevant. The faithful then dutifully retell the myths to anyone who will listen, with the objective of keeping the gods in heaven or, the temporal equivalent, a Liberal in the Lodge.

Both in Government and Opposition, the Australian Labor Party has been forced to put its policies to the electorate in the context of neutralising those myths. We have been forced on the defensive in our efforts to show people that this country can enjoy a better society than that conjured up by the mythmakers.

Central to what we have had to overcome has been the myth of the benefits and inherent social virtue of "private enterprise". It's hardly surprising that the task has been so difficult, given the continual repetition which this particular notion has received over the years. The hysteria reached its peak prior to the Federal elections last year, with Liberal and National Country Party politicians making the most extraordinary statement extolling the virtues of "private enterprise" and newspapers, radio and television quite uncritically reporting and endorsing them.

We even had a bumper sticker which read "Fair go for Free Enterprise".

But putting aside the words of last year, there is an impressive litany of "free enterprise". Take Sir Robert Menzies in 1964 -

"We have learned that true rising standards of living are the product of progressive enterprise, the acceptance of risks, the encouragement of adventure, the prospect of rewards. These are all individual matters.

There is no Government department which can create these things".  
(quotation).

These thoughts are perhaps best brought together by the current high priest of "free enterprise", Milton Friedman, who expressed his feelings this way: "I believe in the free enterprise system because I believe it is the only system which will enable the ordinary man - the ordinary citizen - to have a maximum degree of both freedom and prosperity".

Allowing for the necessary concessions to 20th century populism, Friedman's words are very little different from the earliest enunciations of the laissez-faire doctrine back in the days of Adam Smith, who held that the public good rested on "the natural effort of every individual to better his own condition".

The problem which free enterprisers have is that their belief is founded on a series of invalid propositions, and that the system needs so many safeguards and supports that it bears little resemblance to the myths which are so assiduously propagated.

One of the basic props of "private enterprise" is the notion of an optimum pattern of production; that is, individuals acting independently and for their own advantage will produce the greatest aggregation of wealth for the community. J.M. Keynes described the argument as having "such beauty and simplicity that it is easy to forget that it follows not from the actual facts, but from an incomplete hypothesis introduced for the sake of simplicity".

The absurdity of the proposition seems self-evident but it is worth remembering that it is still one of the tenets of a social system being sold to us as the most efficient and most egalitarian of the alternatives.

There are so many factors which prejudice an optimum pattern of production - imperfect knowledge of demand and supply, impure competition, unequal accessibility to information, monopolies and so on - that it is not possible simply to equate "free enterprise" with economic, or social efficiency.

Another assumption which plays an important part in the re-inforcement of the "private enterprise" myth is that action by people who are involved in undertakings which are non-governmental are "free". The

fact that the Government or the community is not involved in economic undertakings does not mean that they are freer of restraint than otherwise, nor does it mean that people are prohibited from acting in one manner or another by the fact that Governments are involved.

If we accept that the concept of liberty is best described as the ability to act within a social context, then it follows that the community, through its Government, can be free to participate in the economic life of the country. There are no additional restrictions or constraints imposed on an individual who is dealing with an organisation when that organisation is a community venture: They are as much at liberty to choose as they are when dealing with a bastion of "private enterprise".

In tandem with that assumption comes the notion that Governments should not involve themselves in anything but impartial services and certainly should not become involved in financial undertakings.

This argument is normally advanced as being a moral precept rather than an identifiable and arguable intellectual proposition: Social infrastructure should be provided at community expense purely to facilitate the maximisation of profits by "private enterprise". In other words, the unprofitable ventures should be State concerns, as should undertakings which cannot readily be proven to have commercial possibility. Of course, should they become profitable, private enterprise will show its initiative and readiness to risk capital by buying them for a song.

This limitation of Government activity to unprofitable undertakings is perhaps the line most consistently peddled by the majority of Australian media, and in terms of modern economic experience and thinking, here and overseas, it is completely indefensible and absurd.

Society today is pluralist. We allow diverse groups to look for support, and that pluralism covers the gamut of social interaction. In Victoria and South Australia for example, we allow people to play games other than Australian Rules in winter.

A pluralist society allows and encourages economic and social action by numbers of groups. Some of those groups are individuals who together form commercial units such as partnerships, co-operatives, private companies, public companies, syndicates and the like. But one of the

groups which can legitimately operate in a pluralist society is the community, and there is no essential difference between an undertaking by a Government acting on behalf of the community as a whole, and a venture organised by a smaller grouping or by individuals. Certainly, the organisation of European economies such as those of West Germany, Austria, Italy, France or Sweden does not hinge on outmoded concepts of "free enterprise" and limitation of community ventures. In France alone, Government involvement includes car plants, banking, insurance, aircraft engineering. The German economy relies on extensive community participation through the Government and the trade union movement, both of which see their role as necessary and beneficial.

In South Australia, the Government has undertaken on behalf of the community to become more involved in the State's economy. Through the State Government Insurance Commission - established in 1970 by the present Government and which has had the fastest premium growth of any insurance company in Australia's history; through the State Bank and the Savings Bank of South Australia; through the Housing Trust, the Forestry Board, the Meat Corporation, the Electricity Trust, the Land Commission and the Film Corporation, the Government has taken part in the economic life of the State and has given competitive service and prices. Additionally, through the State Industries Assistance Corporation, we provide capital finance and can take up equity in firms. By incentive we plan the direction of investment and development and the Government builds factories worth millions of dollars for undertakings which we wish to see established.

The Government has taken this role because we believe that to argue a case for Governments to provide only those services which are not wanted by the private sector is a wrongful abdication of our responsibilities to ensure that the State's resources are efficiently used, that the people of South Australia are not exploited, and that a secure and stable economy operates to ensure both security and diversity of employment.

There is another stranger argument than the simple myths of "private enterprise" advanced by the Party which most vociferously attacks "socialism" in almost every field of human activity other than down on the farm. The National Country Party, whose leaders include such proponents of the notions of "individual initiative" and "freedom

from government involvement" as Mr. Anthony and Mr. Bjelke-Petersen - (although he isn't a member, the Prime Minister must be counted as a fellow traveller) - has the addled assumption that if a farmer makes a profit then that is as the result of his own hard work and individual action and in no way is a consequence of any community involvement. Should, however, the farmer make a loss then it is the duty of the community to protect him from that loss, to give him exceptionally generous financial aid to make up the loss or, even, to pay him to make losses.

You have to admire people who can seriously argue the proposition that Government involvement is socialistic and therefore wrong, and who can also maintain that extensive Government assistance to the rural community is good for "free enterprise", but who cannot see their own inconsistency.

The National Country Party has managed to introduce successfully into Australian politics the notion that you capitalise your profits but socialise your losses, and all in the name of economic freedom.

Those myths are the most widely propagated notions which the Labor Party has been forced to counter, but there are other fallacies which came from our own side of politics and which manage to obscure the debate on Labor's function in an industrialised, modern society. These fallacies come from people who consider themselves to be "traditional" or "pure" socialists and to whom the appellation "technocratic Labor" is derogatory. The starting point for this set of beliefs is that the basis of any socialist action is to change the indicia of title to the means of production, distribution and exchange. This argument is a converse of the first fallacy which private enterprise advances, that private ownership is expressly moral and public enterprise is immoral. The proposition put by these fundamentalist socialists is that public ownership is expressly moral and private possession is immoral.

The South Australian Government has been especially single out for attack by the adherents to this particular notion. "The Dunstan Government is following a blue-print for neo-capitalism and imperialism - Labor style", according to one critic. That the role of the ALP is to run capitalist Australia much more effectively than the Conservatives is another line of dissent. Because some employers realise the need for industrial democracy and have supported the South

Australian Government's efforts to bring about greater realisation of that need among unions and management, we are said to be playing into the hands of the capitalist class.

The Federal Labor Government of Gough Whitlam was also continually attacked in the same terms at a time when it was attempting to bring about a substantial transfer of community resources to the working people of Australia to improve their economic and social living standards.

The Tweedledum to Tweedledee syndrome has captured some sections of the Labor Movement to such an extent that the question is honestly put forward, "What difference does a Labor Party make to the majority of people in the community?" "Why should the Labor Party claim some special role in society when all it does is take over the management of capital in much the same way as the anti-Labor forces?"

Those questions are going to be answered in very practical and powerful terms by Malcolm Fraser in the next two years. The present Federal Government has set out to reduce the living and working standards of the majority of Australians to the point where even the McMahon Government will appear as a model of benevolent socialism by comparison.

A simple instance will show an essential difference in attitudes to planning the economy. The Whitlam Government, after lengthy investigation and debate, accepted that the only sensible policy for the car industry in this country was an 85% local content plan with the manufacture of four-cylinder engines in Australia in existing capacity. A consortium was formed of Chrysler, Nissan, Toyota and the A.I.D.C. and proposals had been effectively completed for engine lines in a single plant at the Chrysler works in Adelaide. The Fraser Government accepted the 85% local content plan and the manufacture of four-cylinder engines, but took the doctrinaire attitude that the Government should leave it to the market forces to decide what four-cylinder engine plants should be established. As a result there will be at least three such engine plants.

The same problems of overcapacity, fragmentation of component manufacture, and the resultant instability of the industry, and the unnecessarily high cost to the consumer which have previously bedevilled the Australian car industry will remain and increase, all in the name of "free enterprise".

But just as the notions of free enterprise are based on false assumptions, so advocates of "pure" socialism are basing their rejection of technocratic laborism on wrong premises. The first of those is the intrinsic social efficacy of public ownership and the second is the existence in Australia of a class struggle which makes the concept of imminent revolution tenable.

The role of ownership in a sophisticated and interdependent economy has been eclipsed by the methods of management which have evolved. While it is true that ownership does perform some undesirable social function in the capitalist system, for the most part in the present organisation of our community there is a divorce of ownership from function. Call it what you will - the managerial revolution, Gardiner Mean's shift from private capitalism to collective capitalism - this fundamental change in the nature of the economic system with which all constitutional, democratic governments in this country have to work has wrought the position where owners are shareholders of joint stock of companies and, except in very small businesses, have very little interest in or influence over the policies of the organisations in which they have put their money.



The dispersal of ownership in Australia is very much greater than most other industrialised countries. We are not in the situation of Great Britain where more than 25 per cent of the country's wealth is owned by the top one per cent of the population, or that 50 per cent of the wealth is owned by the top five per cent. If we take the life insurance offices, which mobilise a very large amount of the country's capital, they are notionally owned by the policy-holders and investors, yet how many "owners" are asked about investment decisions or, indeed, about the very great assistance afforded to the conservative parties of Australia by the life offices?

The economic organisations in which people supposedly take equity are in fact run, not by the owners, but by technocrats who are manipulators of money and not owners of money themselves. The philosophy of these administrators is often not to maximise profit completely in the short term, but to produce a steady return of profit to the corporation over a period of time. Their objectives are quite different from those of the traditional capitalist owner, and often work against the interests of the owners of the money which has capitalised the firm. If we look at one area where the technocrats put their own needs first, it is in interlocking directorates and cross-shareholdings.

There has been little research done on this area nationally, but one study by a single researcher two years ago examined fifty of the country's largest companies, in particular the activities of the 302 directors. In short, 169 of the directors between them held 617 directorships in 325 companies, with the four banks and the four insurance companies studied having the greatest web of interlocking directorates. A 1969 survey of a small sample of Sydney companies showed that of 350 companies, only 28 had no outside directorial links. The tangled webs seem to start with the Chairmen having other directorships - 28 of them holding between them 11 and 40 other directorships.

We have had a look at this situation in Adelaide, which is the Australian city where a financial Royal Family can be seen in action every day. Taking the three bulwarks of conservatism in South Australia, the Bank of Adelaide, the Advertiser and the SA Brewing Company, their boards are bound together by common directors and family ties.

The three companies have harmony of interest at board level that would undoubtedly be of great interest to the people who supposedly own the companies and who may even believe in the rhetoric of competition and free enterprise that so many of these leading citizens come forth with - generally around election time. The 15 men who sit on the boards of those three companies in single or multiple capacities hold 98 directorships between them in almost every top South Australian company. The 60 companies on whose boards they sit provide almost all the day-to-day services in South Australia, from our two daily newspapers, the department stores, food production, transport companies and our milk supplies. Even the Liberal Club Limited. We're checking the register of the Trades Hall Club.

Through their directorships and their control of shareholdings in each others' companies, these 15 men are able to make a mockery of the free market system without owning very much at all. They are the technocrats for whom a properly functioning "free enterprise" system, according to the myth, is anathema, because it would upset the "natural" functioning of the business establishment in South Australia.

Imagine the obstacles a group of shareholders would face if they wanted to exercise their rights of ownership in any one of those 60 companies. The business interests of those 15 men are so meshed together that they would simply close ranks and use the cross shareholdings of each other's companies to block any restlessness on the floor of the annual general meeting. The practical effects of this "closed shop" are hard to establish in particular instances, but that is more evidence of the secrecy of "in-club" decisions rather than the slightness of their impact. The personal nature of so many contacts and understandings which govern the control of companies in a net of inter-related directorships means that it becomes almost impossible to prove a particular case in a strict legal sense.

While I have detailed the Adelaide experience, the figures - meagre as they are - which are available for the rest of Australia, coupled with our knowledge of the way the corporate structure works, show quite clearly that the patterns of interlocking directorships and the way in which they work against the people they are meant to protect apply equally throughout Australia.

This gives an enormous amount of economic power to people who have no real claim to that power, and who can protect their management of a particular enterprise or their own individual performances by a quite irresponsible use of economic power. The only thing for which these people are responsible to shareholders is the payment of a sufficient dividend to keep the shareholders happy. The fundamentalist socialists who concentrate with such vehemence on the question of indicia of title miss the point that ownership and function have been so divorced that we cannot with any economic sense concentrate simply on the evils of ownership.

Just as senseless is the reliance some groups have on the existence of a class struggle within Australia as the eventual means of supporting a revolutionary change in the ownership and capital structures. Appealing though the notion of inevitable class war may be to some, it is patently irrelevant in our considerations of how to improve the conditions of the majority of people in the community.

Obviously, there are classes in Australian society, but in the main they are based on economic criteria rather than hereditary ones. While most people see themselves as being a member of an economic class, they do not see their role as being one of hostility to the rest of the community. The psychological pre-condition for a class struggle in Australia just doesn't exist. Now, whether there could be, or should be, such a pre-condition can be argued by the Marxists and other fundamentalists at great length, but it does not change the point that at the moment the various economic and social groups in the community do not, in general, have a revolutionary self-perception. (The great majority of Australians see themselves as belonging to the "middle class".)

That being so, the question which we, as democratic socialists must ask of our policies and actions is, "How do we make democracy fully social?" How do we ensure that all citizens get an effective say in the decisions which affect their lives, be those decisions made by Government, by their employers, by the local council or by the local kindergarten committee. Questions of ownership or class struggle have very little effect on these decisions, and the social democratic movement cannot allow itself to be mesmerised by one facet of our social structure and ignore other areas of much greater importance.

What we must be concerned with as socialists is where does power lie? Who can exercise it, and to whom are the people with power responsible? They are the questions relevant to Australian society, and they are the questions which the Australian Labor Party must face.

Our Party has often been condemned as being a group of opportunists who are too concerned with the pragmatic side of winning and maintaining Government, and that we have only ad hoc policies. The shorthand form is that we are socialists sans doctrine. I don't accept that. The Labor Party in Australia does not rely on traditional doctrines, as some other theorists of social organisation on the left do. The Australian Labor Party has defined a philosophy which is suitable for Australia, which takes account of the nature of our society and the structures which we have to work against, and which offers the people of this country alternative government which allows individuals to appreciate fully their own talents and potential.

We are not aiming at fitting Australia into some pattern of prophecy which would be a historically interesting exercise, but do little materially for the people; nor do we aim for Australia to mould itself to some pattern of weltanschauung. Neither does the ALP dogmatically insist that the transfer of the indicia of title is essential or that the pluralist society we now enjoy is to be absorbed in the Hegelian whole.

The Labor Party has never been Marxist and has never been committed to dogmas of that kind. What we are out to do is to see that every citizen in society has the social, economic, educational, cultural and recreational wherewithal to enjoy life and draw the most personal satisfaction from it. What the Labor Party seeks is a society which is not static, but one which is dynamic and improving. We believe the benefits of such a society must be made available to every member of it, both in terms of facilities paid for by the community and in opportunity for people to change, to learn, or to move within the community.

We want security of employment for the working people of this country, at a standard of wages which will enable them to lead a good life. We also expect that a working person should be able, from the wage that person earns, to provide his family with housing and other personal services. As well as economic security, the Labor Party believes that each individual must have liberty, that is, he must have ultimate ability to act within the society he lives. (In Adelaide at the moment that means, amongst other things, the ability to choose to see or not to see Lyndsay Kemp's production of "Flowers".)

The Labor Party's ability to reach those goals is determined very markedly by the conditions in which we work. And once again, it is very easy to take the fashionable left line and say the conditions are weighted in favour of our opponents - (they are indeed), or that parliamentary democracy is a slow and cumbersome vehicle for reform - as it is, and then revert to a nihilistic view that the whole task of reform is academic.

The Labor Party was formed as the parliamentary wing of the Labor Movement in the 1890's because the early reformers realised the cost to the workers of attempting change only through the industrial wing would be greater than the working people of the country could bear. The early Labor Party had a very great responsibility to the community to rectify the gross abuses in the areas of wages, conditions and welfare payments. The Labor Party today has the responsibility of continuing that process of improving the living and working standards of the great majority of the community, but within the system of peaceful - even if piecemeal - change.

The reason for accepting the system is that there is no revolutionary condition in Australian society. It would not be possible for a radical restructuring of this society to take place dramatically without abandoning the democratic system which has enabled us to make the progress we have. We could not reorganise our financial structures to the radical point of changing the present pattern of ownership and derivation of income because to do so would temporarily reduce the standard of living of most people, and lessen the average person's opportunity for gaining material reward.

Quite obviously, we could not constitutionally proceed to expropriation of the means of production without revolutionary action, and that would immediately mean a reduction in both export and internal earnings, a substantial cut in the money and services available to individuals and the disruption of the system which produces the essentials for daily life. The people who would suffer most from any revolutionary action would be the working people of Australia, and their support for such a course could not be maintained. Nor could the Labor Movement ask for that support, because we have always charged ourselves in industrial and political activity with improving the conditions of the less fortunate and the lower paid.

The exclusion of a revolutionary course of social reorganisation leaves us with the maintenance of a rentier society in which finance for industrial or commercial undertakings by either the community or a private body will come from raising money and paying interest or dividends.

Given that situation, there is no social difference in function between a public bondholder and a private shareholder, so long as it can be shown that the result of the investment by the shareholder or bondholders serves socially desirable ends. The distinction there is in function: as a democratic socialist I see a major difference in philosophy between community undertakings and private undertakings. There is no reason why the financial methods available to the corporate sector should be rejected by the community, provided the purpose to which they are put is to the community's advantage.

Social democracy in Australia also has to work with a non-economic framework that is even at the best of times a drag on reform, and which can be quite unscrupulously perverted to prevent reform. The provisions of the State and Federal Constitutions, the inadequacy of the parliamentary system to handle increasingly complex administration and the judicial and de facto legislative roles of Courts are further areas in which intentional or unintentional set-backs can occur for a reform-oriented Government. As the experience of the Federal Labor Government has shown, an elected Ministry with a clear mandate for reform does not receive with that mandate the means necessary to implement it.

The rigidity of the Federal Constitution, both in the terms of unchallenged power and in the amending processes, creates uncertainty each time legislation is required to move into new areas. In turn that uncertainty casts doubts on the extent or legitimacy of many reforms, and until they can be decided by the High Court, the reform process is stalled. The history of legislation passed by the Whitlam Government and subsequently challenged in the High Court is familiar to most of us, but it has not only been Labor Governments who have had to deal with this. Without going into the politics of the Barwick-Snedden Restrictive Trade Practices Act, the areas of imprecision in such an important area of national responsibility created a constitutional lawyer's delight, but an economic planner's disaster area. The apparent revival by the High Court of the Corporations' power of the Commonwealth in the Concrete Pipes case in 1971 and the Court's seeming drift away from that line of interpretation in later cases emphasises

the obstacles of unpredictability.

The High Court, and in particular the present Chief Justice, have shown us only too clearly the role which conservative institutions can play in thwarting reform governments.

Sir Garfield Barwick's judgment in the electoral distribution cases which came before the Court last year clearly showed that the political outlook of judges, even if unwittingly, inevitably affects their judgment. The cases were an attempt to gain Constitutional guarantees of the basic principle of parliamentary democracy, namely that all votes are of equal value.

The crucial argument dealt with Section 24 of the Constitution, which provides that members of the House of Representatives shall be "directly chosen by the people". The South Australian Government and several other concerned citizens went to the court for a ruling that those words meant that all voters should have an equal say in the election of the Lower House, the People's House. The State Government made the appeal because of the gross discrepancies between Federal electorates in South Australia, typified by the comparison of Bonython which contained at the time 86,682 electors and Wakefield which had 50,742.

We argued that those discrepancies meant the Federal boundaries within the State were not constitutional under Section 24, and that Section 19 of the Commonwealth Electoral Act, which allows the distribution of a State into electorates of unequal voting size, was invalid. Our submission was twofold: firstly, that any reasonable interpretation of the words "directly chosen by the people" means equal value for the vote of every individual and secondly, the historic series of decisions by the United States Supreme Court on electoral boundaries.

Sir Garfield completely rejected our interpretation of "directly chosen by the people", because, he said, the conditions governing the franchise

and electoral systems of the States prior to 1900 had not provided one vote, one value. (That was not historically true, and ignored the clear purpose and intention of the constitutional conventions). He then went on to dismiss the relevance of the American precedents and, with great respect to him, for a variety of specious and quite inconsequential reasons.

Article One of the American Constitution contains exactly the same words as Section 24 of our own Constitution - "directly chosen by the people". Twelve years ago the United States Supreme Court interpreted that phrase to mean that inequalities in the populations of electorates for Congress were unconstitutional.

The body of law which resulted from the so-called apportionment cases is recognised throughout the world as definitive, and there is no question of its principles not being applicable to Australia.

The American decisions dealt with a Federal system which has a popularly elected Lower House of Congress and a second Chamber representing the States at large. When the Australian Constitution was being drafted, our founding fathers looked very carefully at, and relied very heavily on, the American Constitution and its history.

But this body of widely respected law has no relevance to Sir Garfield Barwick because, and I quote his judgment "the meaning latterly placed on this expression (directly chosen by the people), is not to be found in any earlier decision and, in any case, the two Constitutions have radical differences".

In other words, Sir Garfield feels that because a decision has not been reached in the past, it cannot be correct if it is handed down today. Given the history of High Court judgments, including his own, that proposition's only virtue is novelty. He has rejected four major judgments of the United States Supreme Court. Later in his judgment, Sir Garfield gratuitously suggests that the main, if not the only reason, these judgments were made, was because the majority of judges had misinterpreted American history.

The second part of his rationale for rejecting the United States cases is that "in any case, the two Constitutions have radical differences". The differences he then went on to list were quite irrelevant to the question of ensuring democratic representation in a two Chamber legislature, which both countries have.



Sir Garfield cited the fact that the United States gained independence 200 years ago by revolution and that some Westminster concepts were not adopted; the fact that the American Constitution contains a Bill of Rights; and that the American Constitution has no counterpart to the section of the Australian Constitution which deals with the House of Representatives.

His reasons are quite divorced from the question which the High Court was asked to look at, but he was quite prepared to ignore the real issues.

His decision in the electoral boundaries case came, as we now know, after he had actively taken part in the Constitutional crisis which followed the blocking of the Budget. In advice which was heavily partisan and, as he has subsequently admitted, had no strict Constitutional or legal basis, he urged a course upon Sir John Kerr which has so bitterly divided this country.

The advice which Sir John Kerr sought from the Chief Justice should never have been tendered because it was political in content and purpose. It went completely against the judicial convention that the Australian High Court has no advisory role, and certainly no single Justice of the Court should tender advice on a matter which may come before the Court.

But Sir Garfield did, and his advice was contrary to that of the principal law officers of the Crown, but Sir John accepted Sir Garfield's version, which quite dogmatically asserted the proposition that a Government in order to govern must have the confidence and support of both Houses in a Westminster system. Again he draws a distinction from Westminster which is quite specious - that the House of Lords is appointed and the Senate elected. Presumably his advice would then apply to the South Australian Parliament, but not to that of New South Wales.

His defence of that advice is as legally threadbare as the advice itself. He resorts to tautologies such as "Responsible government is constitutional authority" when asked which constitutional head of power called for Sir John Kerr to act as he did. The Chief Justice's advice was "founded on the local traditions of a responsible government", whatever that may mean. He maintains it is a "simple case of a Minister who can not provide the Crown with money for ordinary Government services cannot remain a Minister".

The inadequacies of Sir Garfield's explanations and the poverty of his legal explanations inevitably mean that his role last December must be a matter for continuing debate.

The significance of the decisions taken during the Constitutional crisis of 1975 will not be appreciated fully by the people of Australia for a considerable time. The important books are yet to be written.

If we go back in our history we find not a reservation of powers by the Crown, but an express devolution of them.

"Formerly, the Governor alone was responsible for the policy of the Government, and for the measures submitted to the Legislature by which that policy was intended to be carried into effect; under the present Constitution the Governor was most properly relieved from that great responsibility which now should fall on those gentlemen whom he might select as his advisers and in whom the Legislature placed confidence".

Those were the views of the Governor of New South Wales, Sir William Dennison, in 1856, when he opened the first session of newly established Parliament in that State.

It is almost beyond comprehension that 120 years later a Governor General could gather up so much of the power from which his office was removed in Australia more than a century earlier, and from the source of his commission, the Imperial Monarch, two centuries earlier.

The office of Governor General is now, in consequence, lacking the general confidence of the people of Australia as a whole, which it must have to function properly.

If this office is to remain, there is an overwhelming need for a definitive statutory statement of the rules and practices which govern the exercise of the power of the Crown to force a dissolution and which regulate the use of the other reserve powers.

Courts such as the High Court have powers which are in effect political and legislative rather than merely judicial, and they are peopled with judges of largely conservative outlook. That inevitably affects the nature and direction of their decisions. The effect of these courts and the effect of the use of the Royal Prerogative to set aside a duly elected Government, demonstrate the difficulties facing a social democratic party in endeavouring to work within the framework of existing institutions to obtain reform.

Here again, social democrats are struggling against a myth because the average person just does not understand the nature or the workings of the Constitution. They know that there is a Constitution, that it is somehow infallible and inviolate and that the Establishment views on the Constitution should be accorded due obeisance. Even though almost no-one in the community could explain the use or relevance of the Constitution, let alone its details, the weight of opinion favours the retention of a not known and not understood body of law, which sets the patterns of political behaviour within society. That obviously affects the way in which the Labor Party can bring about its objectives.

The progress of social democracy in Australia is also constrained by the activities of multi-national corporations, and the fact that as a nation or a State there are few controls which we can impose on them. Whatever we do in attempting to alter the industrial and commercial relationships within the community or the power structure of the community, the multi-national corporations will have a great influence. The problem of multi-national operations, the potential for abuses of power within the host country and the exploitation of less-developed countries by multi-nationals operating through their Australian off-shoots are of tremendous concern to the social democratic movement, not only here but through the world as well and, to be fair, to some conservative governments, though not of course our own. The dangers and designs of multi-nationals are far too complex and the solutions as yet too elusive to develop fully in this lecture. It will be necessary eventually for our foreign policy to work towards international arrangements clearly defining and limiting the relationships between multi-nationals and host countries; but until then they set severe limitations on our ability as governments to act freely in our own economy.

Put in this way, the prospects for social democratic governments in Australia do not seem too cheerful. In the light of the dismissal of this country's only national government in 23 years which saw itself in those terms, the temptation to be pessimistic can be overpowering.

Given all the adverse conditions Labor has to work under, can we prevail to ensure that our aims are substantially met? Is it possible for a Labor Party in Australia? The answer clearly is Yes.

Yes, it is possible to bring about social and economic justice. Yes, it is possible to provide the people of Australia with security of employment, better community facilities and equality of opportunity. Yes, it is possible to give people the means to participate in the decision-making processes which affect their lives.

The Labor Party has been the single constant force for reform in Australian politics this century. We have achieved much, and we will go on to achieve even more. When we look back, let's not dwell on our disappointment; let's look to our successes and then plan the successes which are yet to come.

In South Australia, we have been able to change our parliamentary structure from the most blatantly rigged in the country to a system which even our Liberal Movement opponents (before they rejoined the Liberal fold) conceded was the most democratic in Australia.

From a situation where one-third of the voters elected two-thirds of the members of the Lower House, we have come to the point where, in the next few months, a completely independent and tamper-proof Boundaries Commission will bring down new boundaries for the Lower House on the basis of one vote, one value, and where its decision becomes law without the power of a House of Parliament to reject it, (as did the Senate with the Commonwealth Electoral Boundaries Report). From a situation where in the Legislative Council, Labor had four out of 20 members, (though it had 53-55% of the popular vote), and they were elected on property franchise, rigged boundaries and a disgraceful enrolment system, South Australia's Upper House is elected by all voters over 18 in one electorate - the entire State - on a proportional representation list system with optional preferential voting.

Substantial change can be brought about, but the Labor Party must draw to itself the maximum of community support and must make its position clearly known to the electors. Our campaign to reform the Parliament succeeded because we went out and told the people what they were denied under the system whereby 53 per cent of the people could vote for a party, but it was not in government. Parliamentary reform can be achieved: we have achieved it in one State already.

Equally, the Labor Party can direct the economy to bring about a more equitable distribution of the national wealth. We will have to work within the imperfect systems available to us, but it can be done by indicative economic planning, by Government intervention through licensing systems and by direct Government competition. Through its Government, the community can take an active and profitable role in economic activity.

We have been able to do this in South Australia, but only after a struggle.

The State Government Insurance Commission was established in South Australia only after very hard work to get the legislation through our Parliament, which at that time still had an unrepresentative and reactionary Upper House which considered itself the "permanent will of the people". The fact that Government Insurance Offices had existed in other States for more than 50 years was of little consequence to these staunch defenders of a free and competitive economy and it was only after agreeing to limit the S.G.I.C.'s ability to operate that we were able to get it started. The limitation was that the Commission could not offer life assurance, and was insisted on after tremendous pressure on the Liberal Party from life offices. It was no co-incidence that one of the most influential Liberal members of the Upper House, Sir Arthur Rymill, was and still is, a member of the A.M.P. Board of Directors. The result has been an artificial restriction on the activities of the S.G.I.C., and the necessity to put its activities on the same footing as the private insurers is pressing. The Queensland equivalent already provides life cover, and has done for years, and Mr. Bjelke-Petersen has not objected to this manifestation of socialism literally on his doorstep, because the State Government Insurance Office of Queensland has built most of the State Government office buildings.

The advantages of the S.G.I.C. to the people of South Australia are not only that it offers insurance cover at competitive prices, but that the premium income is used to provide better facilities in South Australia. The money must be invested in commercial, government or semi-government undertakings within South Australia, and we have been able to provide several important new services. One of the most recent is lower interest bridging finance for home-buyers awaiting concessional housing loans from another community venture, the State Bank. The S.G.I.C. has made \$20 million available for this bridging finance at rates of up to four per cent less than other lending institutions.

The community, through its government, can share in the benefits of commercial undertakings which are competitive and efficient. The Labor Party must continually point to the successful examples of community business undertakings in the Australian economy. We must show people that government enterprises can be dynamic, innovative and efficient as private sector undertakings, and in many cases are more so.

That is one example of the way the Labor Government of South Australia has entered the market place on behalf of the community. There are many more areas of commercial activity in which we are involved in an entrepreneurial role.

In the modern economy, a social democratic Government has the role of planning the level and direction of economic activity by a range of incentives and disincentives to achieve investment in the desired directions; preventing exploitation in the market place and of using the whole range of governmental activities, (from simply providing better communications to legislative and licensing controls and provision of entrepreneurial activities themselves), to ensure that the economy is effectively working to produce goods and services and to provide secure employment.

But to ensure that democracy is effective and real, we must set about changing the citizen's role in the community to one of greater participation in the decisions which affect his future.

Democracy cannot be confined to the provision purely of representative Government. It must cover the whole of the activities of people's lives, and the principal extension of democracy for social democratic governments must be in the workplace.

If we maintain a rentier structure, the present forms of company management and 19th century management worker relations, then we will not have democracy in the workplace. It is vital that we institute a programme of industrial democracy which will allow the workman an effective say in policy decisions which will affect the future of the organisation in which he is employed, and thereby affect his life.

Workmen must no longer be treated simply as an expendable resource to be hired or fired on the same basis of decision making as those decisions which relate to the purchase for the industrial process of raw materials, components or services.

In order, however, to achieve a programme of industrial democracy, Labor Governments in Australia will have to proceed carefully and pragmatically. The structure of company organisation in Australia and its management modes not only differ markedly from the structures of companies in numbers of countries in Western Europe where co-determination or workers participation programmes have been initiated, but they also differ markedly in practice from company to company within Australia. There is not any simple system of industrial democracy which could be laid down as universally workable.

What is more, it is not possible to embark on industrial democracy programmes simply by providing means of workmen meeting with management and discussing policy matters. One can provide something seemingly democratic in structures of consultation and involvement which don't produce any real involvement at all.

What is more, in many cases among Australian workmen, the assumption has been present for so long that management decisions are not for them, that there is a reluctance upon the part of workmen to accept the responsibility even of examining policy decisions affecting them.

The assumptions of 19th century worker/management relations are not only assumptions held by management - they are also widely held by workers, and the changing of those assumptions will be a slow process of experiment and re-education.

In order to achieve it, it will be vital that we have an educated and dedicated group of people both within management and in the trade unions who understand that what we are about is a process of effective and democratic participation, and who aim to make it work.

A change of this kind can never be achieved, just as the changes in the Constitution in South Australia could not be achieved without the working of an elite dedicated to the change. The kind of change which will occur will depend upon the understanding and motive of the elite seeking to work it. That this is so can be simply seen from the different way in which workers participation occurs in Yugoslavia and in the Comecon countries.

The whole motive of the Yugoslavian 1974 Constitution was to ensure an effective devolution of political and economic decision-making and to involve to the maximum extent possible the workmen on the shop floor.



Real decisions concerning policy are made not only at the factory level, but within the separate units in a factory or commercial process. And that is possible because Yugoslavia works within a market economy.

In the Comecon countries, however, although there is workshop consultation and workers councils which have an effective voice in management, the nature of central planning processes means that a great deal of effective decision making is removed from the workers level entirely. The effective involvement of workmen in matters affecting their own future is very much more remote.

The workers participation process in the Comecon countries tends to work from the centre point down, rather than from the workshop floor up. While if you examine the organisational structures in Yugoslavia and Russia they may appear within factories to be markedly similar, the elites in each country actually working the process have quite different commitments about the end result of the process and in practice the processes work quite differently.

In South Australia we are setting about creating means by which workers and their representatives can sit together with management at workshop level meetings and works level meetings for completely honest and wide-ranging discussion of policy matters in the organisations concerned.

This has already been instituted in a number of Government departments. The process of working out the particular structures of meetings suitable to the individual undertakings is now going on in government commercial and industrial undertakings. Discussion with workers and with management on this score is of course part of the worker participation process itself.

Companies which have been funded by Government in South Australia and other private concerns prepared to work on the programmes are being encouraged to initiate experiments, and the Unit for Industrial Democracy in the Premier's Department has been set up to service the developments.

In this work, however, we need to dispose of two myths currently fashionable in some worker circles.

The first is the (at one time politically fashionable) view of Herbert Marcuse that no qualitative change in the nature of society could take place without the destruction of the bonds on people's minds created by the present patterns of organisational activity within our society, that by destroying the present fabric of society an inevitable creativity of the masses would be released which would form a new and perceptive society. As will be seen from what I have already said, the Labor Party has never believed that you can accomplish change without a group who are the agents of that change being active within society.

The social democratic movement is performing that elite role in modern industrial society, but to achieve our aims we must ensure that our elite is motivated to keep itself open.

It is rather a contradiction in terms, but we must strive for an egalitarian elite, self-critical and accessible to people who share our commitments.

The second myth is that by improving communication with workers and their accepting responsibility for the economic health of the organisation which provides them with their bread and butter you will thereby lessen the polarisation "necessary to the class struggle". This is a myth stemming of course from the believe that the only way to proceed in Australia is by revolutionary means.

I have already dealt with the false assumption of the revolutionary programme, but the myth seems to affect people who have not thought through its nature.

If we allow the fragmentation of union structure in Australia to put us in the position where trades unionists, and particularly their officers, are competing amongst themselves to get a particular corner of their country's domestic product for the benefit of their members and hang the rest, and are in consequence taking no thought for the future of the economy or the organisation which employs their members, then of course we are headed for economic chaos.

The participatory process is designed to devolve responsibility, to involve the average citizen in matters affecting his future, but it must inevitably lead to effective responsibility in the decisions which are made. That is the proper course for social democracy to follow.

The trend towards a devolution of power is world wide, and in Australia we cannot confine our actions to the devolution of decision-making processes in the industrial area.

We must accept that the participatory process stems largely from local interests, the ability to ensure that the area of activity is close to home.

The regional movements in Great Britain, a country in which local authorities are already vested with very considerable powers, are pointers to the growing support for the proposition that a single Parliament at Westminster cannot conceivably deal with all the matters that need to be acted upon by major legislative and representative institutions.

Australia - so much larger and with differing regional needs - cannot be governed from Canberra. What should be decided nationally are priorities and conditions, but the actual work has to be done locally, not only for reasons of administrative differences, but because different social needs and expectations of people throughout the country. One of the greatest mistakes the Federal Labor Government made was to allow itself to be painted as a centralist, bureaucratic ogre. The Labor Party's commitment to local communities, to regionalism and to the States must be spelt out in terms plain enough to be understood even in the Deep North.

Never again should we allow people like Bjelke-Petersen to hide their own appalling administration and their own failure to provide essential community facilities for the great majority of people in their States behind smokescreens of centralism.

Social democracy is not a centralist philosophy because it realises that the needs, aspirations and potential of individuals can be best met by local communities, and that devolution of power is the best means of ensuring that individuals can have a say in the decisions which affect their daily lives.

Because above all, social democracy is a fundamental commitment to the ideals of consensus and liberty. Without a democratic system in which the participants respect the will of the majority, a free community is not possible.

The forces of reaction have severely damaged the spirit of our democratic system - they have shown themselves to be totally unscrupulous, untruthful and unethical in their determination to impede the movement for reform in Australia.

We must now ensure that the fundamental strengths of our democratic system are used to articulate the case for social democratic reform and to maximise support within the community for our policies.

The Labor Movement's struggles for reform has been a long and arduous one, but it has been successful in improving the lives of the great majority of Australians. That struggle has been carried forward by great men in the Labor Movement, men of vision, compassion and justice.

Ben Chifley was foremost among those men, and when he died, Bert Evatt made a very moving tribute. Quoting Tennyson's Ulysses, Evatt said Ben Chifley's task in life had been "to strive, to seek, to find and not to yield".

That is still our task.